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SPECIAL ECONOMIC AND HUMANITARIAN ASSISTANCE

Assistance for the reconstruction and development of Yemen

Report of the Secretary-General

I. INTRODUCTION

1. In its resolution 45/222 of 21 December 1990, the General Assembly, recalling its resolution 44/179 of 19 December 1989, renewed the request made to all States, competent United Nations organizations and programmes and international economic and finance institutions to continue to contribute to the reconstruction and development of Yemen. The Assembly also called upon the Secretary-General to report to it at its forty-sixth session, through the Economic and Social Council at its second regular session of 1991, on the implementation of the resolution. The present report is submitted in pursuance of that request.

2. The General Assembly took into consideration that Yemen, being one of the least developed countries, is unable to sustain its reconstruction and development programmes in spite of the efforts made by its Government. It also noted that the response of the international community to its resolution 44/179 of 19 December 1989 had not achieved the expected goal in meeting the rehabilitation and reconstruction needs arising from the damages inflicted by the floods of 1982 and 1989. Under resolution 45/193 of 21 December 1990, the Assembly noted with deep concern the economic situation facing the Yemen as a result of the merger of the economic and social infrastructures of the Yemen Arab Republic and the People's Democratic Republic of Yemen following their unification, in addition to the new economic and social burden resulting from

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* A/46/50.

the situation between Iraq and Kuwait. The Assembly called upon States and governmental and international non-governmental organizations to extend their assistance in support of the national efforts to improve the economic and social infrastructure of Yemen.

3. The report of the Secretary-General (A/45/669) contained information on the relief, rehabilitation and reconstruction programmes carried out by the United Nations Children's Fund, the Economic and Social Commission for Western Asia and the Office of the United Nations Disaster Relief Coordinator through channelling emergency relief assistance from multilateral and bilateral sources.

4. Information was provided as well on the rehabilitation and reconstruction assistance given by the United Nations Development Programme and the World Bank to the Government in managing and implementing its flood reconstruction programme aimed at restoring essential physical infrastructure following the 1989 floods through the establishment of an Emergency Reconstruction Unit.

5. The report referred also to the preliminary note dated 13 September 1990 from the Government of the Republic of Yemen pertaining to the economic impact of the Gulf crisis on Yemen.

6. The torrential rains and floods which struck Yemen in 1982 and 1989 caused unprecedented damage and devastation leaving 100,000 killed or homeless, and causing heavy destruction to the country's infrastructure, constraining therefore the effective implementation of the second (1980-1985) and third (1986-1990) five-year plans of Democratic Yemen.

II. POLICY CHANGES

7. Despite the need for a speedy programme for the integration of the two distinct economic and social systems as a result of the merger of the Yemen Arab Republic and the People's Democratic Republic of Yemen into one Republic, the Government decided to postpone the commencement of the country's development plan originally scheduled for the period 1992-1996. Although development priorities for the next period are still under discussion, there already are indicators that the new situation has compelled the Government to reconsider its emergency and longer-term development priorities, bringing its flood-related rehabilitation and reconstruction programme to a quasi standstill.

III. ECONOMY

8. The recent developments in the region have had serious and long-term adverse effects on the economic growth and the development of the country, most seriously affecting the financial resources available to Yemen development and emergency programmes.

9. The Republic of Yemen, constituted on 22 May 1990, is a merger of two least developing countries - the Yemen Arab Republic and the People's Democratic Republic of Yemen. The Yemen Arab Republic, a traditional Islamic country, had adopted a liberal market-oriented economy, offering generous incentives and protective tariffs to encourage private sector initiatives. Public investment was directed primarily at infrastructure development, aimed at enhancing national unity by means of improved communications. The People's Democratic Republic of Yemen had developed a centrally planned economy based on the development of heavy industries and infrastructure networks. Social development founded on the building of a civil society was also a major priority, particularly in the education sector. However, the unification led to the merger of diverse political and socio-economic systems and two economies dependent on foreign capital and technical flows. Heavy external indebtedness constitutes also a cumbersome burden for the newly formed Republic.

10. The Gulf crisis entailed heavy financial losses for the newly formed Republic of Yemen. The return, in a short period of time, to Yemen of about 800,000 migrant workers from countries in the region has had negative social and economic impact on the country. It resulted in losses of remittances, sudden rise in unemployment and swift increase in the resident population exerting further pressure on services and opportunities available to a rapidly growing population.

11. Overall, the economic growth in the Yemen Arab Republic and the People's Democratic Republic of Yemen, although positive over the past two decades, has just kept pace with the population growth (3.2 per cent and 2.6 per cent respectively). The reduction in remittances and the cuts in foreign financial flows add gravely to the development challenges facing the country. Total net workers' remittances for the Republic have been estimated at $US 443 million for 1988 (now estimated over $1 billion). The new situation entails a burden on the country's meager resources and is likely to confine Government's action to short-term financial concerns over longer-term structural and socio-economic issues. The reduction in remittances and the scarcity of foreign exchange reserves will accentuate the pressures on the financial and monetary system in a country already relying heavily on import subsidies for essential consumption goods. The resultant fiscal and trade deficits might bring about serious structural imbalances the social impact of which could be very drastic.

IV. RELIEF, REHABILITATION AND RECONSTRUCTION PROGRAMMES

12. The rehabilitation and reconstruction programmes, carried out within the framework of multilateral and bilateral assistance in the aftermath of the 1982 floods, have been completed, as indicated in previous reports.

13. Information on programmes carried out in the context of the 1989 floods was provided for in the reports of the Secretary-General (A/45/358 and Add.1) in response to General Assembly resolution 44/179.

1. Activities under UNDP-funded project PDY/89/020 - rehabilitation and reconstruction of flood damage ($US 1,016,500)

14. This project provides technical assistance to the IDA project which provides capital assistance to 16 reconstruction/rehabilitation projects for housing, education and health infrastructure damaged during the heavy floods of March-April 1989.

15. The technical assistance project funded under special project resources (SPR) is supporting the services of a civil engineer to the Emergency Reconstruction Unit especially established to manage the World Bank/IDA project. This unit, under the guidance and supervision of the Assistant Permanent Secretary of the Ministry of Construction, streamlines the Government's cash and kind contribution to the project and coordinates the activities of all line ministries involved in the implementation of the project.

16. The allocation the Government counterpart budget to the IDA credit (30 per cent in local currency of the total project cost) and to project for the rehabilitation and reconstruction of flood damage is being processed by the Government.

17. Due to the Gulf crisis, all rehabilitation and reconstruction activities have slowed down to a minimum. The evaluation mission scheduled for the start of 1991 has been postponed and will now take place as from 25 May 1991.

2. IDA/World Bank: Emergency flood reconstruction project (SDR 7.9 million)

18. The six months flood mitigation and preparedness study funded under an IDA credit, scheduled for early 1991, will be undertaken at a later date in 1991.

3. Islamic Development Bank

19. The Bank continues contributing to this multisectoral reconstruction effort under way in four Governorates with a budget of $US 2 million.

4. International contribution to the relief efforts and rehabilitation of flood damage

20. The United Nations system (UNDP/UNICEF/UNDRO/WFP/WHO) provided $US 1,140,000 and other international contributions amounted to $2,547,264, as indicated in the Secretary-General's report (A/45/669).

21. The concomitant need to continue to build up the national capacity to manage disaster mitigation, and relief and rehabilitation programmes in Yemen cannot be overemphasized. Therefore, the continuous assistance and support of the international community to the Government of the Republic of Yemen with respect to alleviating the burden imposed by reported natural disasters remain essential and imperative.